

July 21, 2003

Thomas Scully, Administrator  
Centers for Medicare and Medicaid Services (CMS)  
Department of Health and Human Services  
C5-11-03  
7500 Security Boulevard  
Baltimore, Maryland 21244

Dear Mr. Scully:

Enclosed is Washington State's section 1115 demonstration application seeking waiver authority to charge certain medical assistance clients to pay premiums. These provisions will promote long-standing state policy that individuals and families contribute toward the cost of their medical coverage; help sustain coverage for children in moderate-income families; and provide important information for future program development. The Medical Assistance Administration (MAA), Department of Social and Health Services (DSHS) prepared it under the direction of Assistant Secretary Douglas Porter.

This waiver application is the third formal version of an application process that began in November 2001 with a broad health reform proposal. The current waiver proposal represents extensive discussions with CMS officials over the past two years. The current proposal is limited to waiving Section 1902(a)(14) and 1916 of SSA in order to adopt premiums for Categorically Needy (CN) optional children in families with incomes above 100 of FPL. The premium amounts are designed to be no greater than 3 percent of families incomes, which is within the 5 percent limit set forth for State Children's Health Insurance Program (SCHIP), Health Insurance Flexibility and Accountability (HIFA) waivers and agreed to by CMS for this request.

To ensure that the demonstration achieves its objective and to support the demonstration, the Department intends to implement a comprehensive monitoring of the premium program to provide CMS and state policy makers with information on the impact of premiums on both program participation rates and the impact of the program's risk pool. Washington is in a unique position to monitor these parameters because of the extensive analysis and available data used for caseload monitoring and forecasting, and because it already risk-adjusts rates for its managed care program.

Although states have implemented SCHIP premium programs for children's coverage for families in similar income levels, Washington's demonstration proposal is unique in that it proposes to impose premiums on a Medicaid population that has not been required to pay premiums for their children's coverage. This demonstration will provide valuable information to federal and state policy makers as they continue to modify their Medicaid programs to address fiscal constraints and to continue Medicaid reforms. Moreover, this waiver request for premium adoption is consistent with both the National Governor's Association's (NGA) and the Secretary of Health and Human Services (HHS) Medicaid reform proposals.

The application submitted herein is greatly strengthened by the advice of CMS and legislative direction recently expressed in statute to:

***“...secure a federal waiver, effective no later than September 1, 2003, which will enable it to charge premiums for medical and dental coverage of children whose family incomes exceed the federal poverty level.”***

And set the amounts as:

***“\$15 per month per child for a family with incomes between 100% and 150% of poverty; \$20 per month per child for families with incomes between 150% and 200% of poverty; and, \$25 per month per child for families with incomes greater than 200% of poverty. There is a three-child maximum.” SB 5404 (209(20)[2003-05 Biennial Budget and related detailed notation]***

There will be no changed in benefits provided available to the demonstration group and sponsors of partial or full payment of premiums by employers, providers, and non-providers will still be permitted.

Compliance with **Sneede v Kizer** decision regarding children with be addressed by establishing separate multiple medical assistance units, as necessary.

Eligibility will be terminated the family owes all or part of the premium obligation for three months, but can be reinstated after the three month period of ineligibility is over and upon payment of all past due premiums.

During the November 2001 and August 2002 submission processes the Department made extensive efforts to involved client groups, provider, tribes and others. It included ten town hall meetings throughout the state and an aggressive media campaign. During this time premiums, as set forth in this waiver, were extensively discussed. It is the Department's belief the public process conducted during this early period more that adequately met the public needs for timely and accurate information and input. As the Department proceeds with implementation, active stakeholder involvement will continue.

In the coming week I look forward to discussion the waiver with you further. Assistant Secretary Porter and 360-725-XXXX and his policy director Roger Gantz, 725-1880 are available to respond to questions you or your staff may have and provide additional information. Again, thank you for all the help you and the CMS staff have provided in preparing this application. I look forward to discussing our Waiver with you further.

Sincerely,

DENNIS BRADDOCK  
Secretary

Enclosure

Cc: Governor Locke  
Douglas Porter  
Liz Dunbar  
Karen O'Connor?  
Marty Brown  
Wolfgang Opitz  
Ree Sailors  
Stan Marshburn  
Dennis Smith  
Mike Fiore